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PAGE 01 LONDON 04903 01 OF 03 191753Z

53

ACTION COME-00

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

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P 191728Z APR 74

FM AMEMBASSY LONDON

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TAGS: OVIP (DENT), UK

SUBJECT: SUMMARY OF SECRETARY DENT'S VISIT WITH BRITISH
GOVT OFFICIALS AND BUSINESSMEN IN LONDON.

1) THIS CABLE SUMMARIZES POINTS OF SIGNIFICANT IMPORTANCE OR INTEREST WHICH WERE RAISED OR COVERED DURING SECRETARY DENT'S VISIT WITH THE BRITISH OVERSEAS TRADE BOARD (BOTB), SIR ANTONY PART, PERMANENT SECRETARY OF THE DEPT OF INDUSTRY AND PETER SHORE, SECRETARY OF STATE FOR TRADE ON APRIL 16 DURING THE SECRETARY'S LONDON STOP-OVER FROM HIS EUROPEAN TRIP. HE WAS ACCOMPANIED BY DEPUTY ASSISTANT SECRETARY OF COMMERCE LAWRENCE A. FOX, ECON/COM MIN BRAND AND COM COUNSELOR ANDREWS ON ALL APPOINTMENTS.

2) VISIT WITH BOTB MEMBER SIR JOHN LEWANDO WHO WAS ACCOMPANIED BY DAVID ROYCE, UNDERSECRETARY FOR EXPORT POLICY PLANNING OF DEPT OF TRADE (DOT) AND ALAN TICHENER OF DOT EXPORT SERVICES DIVISION.

(A) SIR JOHN REVIEWED HISTORY OF BRITISH EXPORT PROMOTION ORGANIZATIONS INVOLVING PRIVATE SECTOR PAR-
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PAGE 02 LONDON 04903 01 OF 03 191753Z

TICIPATION, ALONG LINES REPORTED EMBASSY'S A-15486, DEC. 28, 1973 AND A-1196, AUG. 10, 1972.

(B) STATISTICS ON BRITISH EXPORTS: FIRMS EXPORTING REGULARLY ARE ESTIMATED TO NUMBER 10,000, 79 OF WHICH CONTRIBUTE 50 PERCENT OF BRITISH EXPORTS AND 200 ACCOUNT FOR 80 PERCENT; APPROXIMATELY 50 PERCENT OF BRITISH MANUFACTURED GOODS ARE EXPORTED; ROUGHLY 50 PERCENT OF BRITISH GNP STEMS FROM NATIONALIZED INDUSTRIES BUT THESE IN INFRASTRUCTURAL AREAS (POWER, COAL, TRANSPORTATION).
OZ (C) BOTB TARGET INDUSTRY PROGRAM: PRIORITY LISTINGS OF 20 PRODUCTS WITH BEST SALES POTENTIAL FOR EACH OF 19 LARGEST UK MARKETS BEING SELECTED THROUGH CONSULTATIONS BY BOTB WITH BRITISH INDUSTRY BASED ON BRITISH OVERSEAS POSTS' RECOMMENDATIONS. POSTS CONCENTRATE ON THESE FOR TRADE OPPORTUNITIES, MARKET REPORTING AND FAIR PARTICIPATIONS BY BRITISH FIRMS.

(D) BRITISH EXPORTS ARE CURRENTLY VERY COMPETITIVE DUE TO LOWER VALUE OF POUND. CHIEF PROBLEM IS NOT MORE EXPORT ORDERS BUT INCREASED CAPACITY TO FILL EXISTING ORDERS AS THE COUNTRY CAN AND NEEDS TO EXPORT MORE TO KEEP EXPORT GROWTH RATE RISING AS FAST AS THAT FOR IMPORTS, WHICH IS CURRENTLY NOT THE CASE. SIR JOHN SEES LITTLE ENCOURAGEMENT IN THE NEW GOVT'S MARCH BUDGET TO ENCOURAGE INVESTMENT FOR EXPANSION OF MANUFACTURING CAPACITY. BUSINESS ALSO FEARS EVENTUAL PROFIT SQUEEZE IF, AS ANTICIPATED, LABOR GOVT. REMOVES CONTROLS ON WAGES AND RETAINS THEM ON PRICES. IN RESPONSE TO SEC. DENT'S QUESTION SIR JOHN DID NOT BELIEVE PRESENT GOVT. WOULD REMOVE BOTH PRICE AND WAGE CONTROLS REGARDLESS OF POSSIBLE FAVORABLE RESULTS OF SUCH ACTION IN THE U.S. AFTER APRIL 30.

(E) OF PARTICULAR INTEREST IN RELATION TO THE U.K.'S FIRST YEAR IN THE EC WERE SIR JOHN'S COMMENTS ON THE PROGRESS MADE BY THE NEW BRITISH TEXTILE CONFEDERATION (BTC) OF WHICH HE IS PRESIDENT, IN WORKING TOWARD COMMON TRADE POLICIES AND PROCEDURES AS A MEMBER OF COMIETEXTIL, THE COORDINATING COMMITTEE IN BRUSSELS REPRESENTING THE TEXTILE INDUSTRIES OF THE NINE MEMBER COUNTRIES OF THE LIMITED OFFICIAL USE
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PAGE 03 LONDON 04903 01 OF 03 191753Z

EC. THE PROGRESS TOWARD HARMONIZATION AND COORDINATION BETWEEN THE INDUSTRIALISTS OF THE NINE WAS IN STARK CONTRAST TO THE LACK OF PROGRESS IN THE POLITICAL AREA, I.E., THE EC COMMISSION WHICH HAD DIFFICULTIES IN OBTAINING A COMPLETE MANDATE FROM THE COUNCIL OF MINISTERS OWING TO POLITICAL DIVERGENCIES BETWEEN THE MEMBER STATES. SIR JOHN GAVE THE SECRETARY THE 1972 AND 1973 REPORTS OF THE BTC DESCRIBING THESE DEVELOPMENTS.

(F) OF EXTREME INTEREST TO SIR JOHN WAS SECRETARY

DENT'S EXPOSITION OF USDOC'S COMMITTEE AND RESPONSIBILITIES FOR INDUSTRIAL CONSERVATION OF ENERGY AND THE SAVINGS ACHIEVED SO FAR BY THE TEXTILE INDUSTRY THROUGH ATMI'S ENERGY MANAGEMENT COMMITTEE. SECRETARY DENT ALSO DESCRIBED A MODEL FACTORY BEING BUILT IN MANCHESTER,

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PAGE 01 LONDON 04903 02 OF 03 191754Z

53

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P 191728Z APR 74

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LIMITED OFFICIAL USE SECTION 02 OF 03 LONDON 04903

NEW HAMPSHIRE BY THE NATIONAL BUREAU OF STANDARDS DESIGNED TO PROVIDE 40 PERCENT ENERGY SAVINGS. SIR JOHN URGED THE SECRETARY TO MENTION THIS TO BRITISH OFFICIALS HE MEETS. DAVID ROYCE SAID THE DEPT. OF ENERGY WAS WORKING ALONG SIMILAR LINES AND HE WOULD INFORM THEM OF THE SECRETARY'S REPORT.

3) MEETING WITH SIR ANTONY PART ACCOMPANIED BY HIS ASSISTANT RICHARD ALLEN.

(A) SECRETARY DENT DESCRIBED HIGHLIGHTS OF HIS EASTERN EUROPEAN TRIP, IN PARTICULAR HIS VISIT TO THE KAMA RIVER PROJECT AND THE GENERALLY STRONG PROSPECTS FOR CAPITAL EQUIPMENT SALES IN EASTERN EUROPE IN VIEW OF IN-

CREASES OF 60 PERCENT IN CAPITAL INVESTMENT PLANNED FOR THE 1976-1980 FIVE YEAR PLANS OF USSR AND ROMANIA. SIR ANTONY SEEMED IMPRESSED WITH SECRETARY'S CITATION OF ROMANIA'S TRADE BEING 52 PERCENT WITH THE NON-SOCIALIST WORLD AND 48 PERCENT WITH SOCIALIST COUNTRIES VERSUS 70 PERCENT COMINTERN TRADE OF OTHER EASTERN EUROPEAN COUNTRIES.

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PAGE 02 LONDON 04903 02 OF 03 191754Z

(B) REGARDING PART'S QUESTION ON U.S. ATTITUDE TOWARD FOREIGN DIRECT INVESTMENT, SECRETARY DENT EMPHASIZED ADMINISTRATION'S ENDORSEMENT OF PRINCIPLE OF FREE FLOW OF CAPITAL AND CITED CASE OF STONE-PLATT ACQUISITION OF SACO-LOWELL COMPANY OF SOUTH CAROLINA IN 1973. SEC. DENT ASKED ABOUT UK ATTITUDE AND PART EXPLAINED PROCEDURE OF REGISTRATION AND APPROVAL BY HMG FOR SIMILAR TAKEOVERS BUT THIS WAS ALMOST ALWAYS MERE TECHNICALITY AND REFUSAL WOULD NORMALLY BE MADE ONLY IN SPECIAL CASES SUCH AS THOSE INVOLVING NATIONAL DEFENSE. SEC. DENT REVERTED TO PART'S QUESTION ON U.S. CONGRESSIONAL ATTITUDE TO FOREIGN DIRECT INVESTMENT AND STATED THAT HE BELIEVED CONSENSUS WAS THAT IT WAS BENEFICIAL OVERALL BUT THE STUDY REQUESTED BY CONGRESS FOR MORE INFORMATION ABOUT IT WAS NEEDED TO BETTER EDUCATE U.S. PUBLIC ON BENEFITS TO BE GAINED FROM SUCH INVESTMENT.

(C) MR. FOX ASKED PART ABOUT NEW GOVT'S ATTITUDE TOWARD PROCUREMENT SUPPLIES AND SERVICES FOR NORTH SEA OIL PROJECTS. WHILE NO LONGER RESPONSIBLE FOR POLICY IN THIS AREA (TRANSFERRED TO DEPT OF ENERGY), PART SAID HE EXPECTED LITTLE CHANGE FROM POSITION OF PREVIOUS GOVT. PART ASKED IF US HAD CASES OF INTIMIDATION OR COMPLAINTS FROM AMERICAN COMPANIES. FOX REPLIED IN NEGATIVE, POINTING OUT THAT USG HAD NOT SOUGHT SUCH COMPLAINTS. HOWEVER, THERE WAS NO DOUBT ABOUT FEELINGS OF INTIMIDATION ON PART OF SOME OIL COMPANIES AS RESULT OF QUESTIONNAIRE PROCEDURE.

(D) ON UK ECONOMY PART STATED IMPACT OF THREE DAY WEEK HAD NOT BEEN AS ADVERSE AS ANTICIPATED. HIGH IMPORT FIGURES CURRENTLY AND FOR IMMEDIATE FUTURE WOULD BE CAUSED BY RESTOCKING (UK IMPORTS APPROXIMATELY 50 PERCENT OF REQUIREMENTS). ON INFLATION PART INDICATED CPI INCREASE OF 14 PERCENT FROM DECEMBER 1973 TO DECEMBER 1974 VERSUS ANTICIPATED U.S. CPI INCREASE OF 10 PERCENT. CAPITAL INVESTMENT IN BRITAIN, FORECAST LAST FALL FOR 1974 AT 15 PERCENT IN REAL TERMS WOULD PROBABLY BE LOWER (NO ESTIMATE GIVEN) IN VIEW OF ENERGY CRISIS AND UNCERTAINTIES OVER POLITICAL SITUATION.

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PAGE 03 LONDON 04903 02 OF 03 191754Z

(E) SECRETARY DENT ASKED IF ANY STUDIES HAD BEEN MADE IN UK REGARDING THE RELATIVE COST OF INVESTMENT FOR ENVIRONMENTAL PURPOSES VERSUS EXPANSION AND MODERNIZATION. PART ANSWERED IN THE NEGATIVE.

(F) MR. FOX RAISED THE LWR POWER ISSUE. PART SAID THIS AGAIN WAS NOT IN HIS AREA OF RESPONSIBILITY AND THE SITUATION WAS CONSTANTLY CHANGING AND THE CANADIANS WERE MAKING A VERY STRONG PITCH FOR THEIR CANDU SYSTEM. SEC. DENT REFERRED TO THE 42 LWR STATIONS IN OPERATION IN THE US AND PART ASKED HOW LONG THEY HAD BEEN IN OPERATION, WHICH ANSWER EMBASSY WILL SEEK TO PROVIDE THROUGH INDUSTRY SOURCES.

4) MEETING WITH SECRETARY OF STATE FOR TRADE PETER SHORE WHO WAS SUPPORTED BY STEWART EDWARDS, UNDER-SECRETARY, MRS. ENID JONES, ASSISTANT SECRETARY, ANTHONY NIEDMSZINSKI, JOHN WAKELING AND MICHAEL PENTREATH (PRESS SECRETARY).

(A) SECRETARY DENT EXTENDED PRESIDENT NIXON'S

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PAGE 01 LONDON 04903 03 OF 03 191753Z

53

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P 191728Z APR 74
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 9685

LIMITED OFFICIAL USE SECTION 03 OF 03 LONDON 04903

GREETINGS AND REASSERTION OF U.S. SPECIAL RELATIONSHIP WITH U.K. HE DESCRIBED HIS EASTERN EUROPEAN TRIP AND FORECAST THAT US-USSR TRADE THIS YEAR WOULD BE DOWN SOMEWHAT FROM 1973 FIGURE OF \$1.5 BILLION.

(B) TRADE BILL. SEC DENT STATED PRESIDENT WAS CONCERNED ABOUT DELAYS IN CONGRESS AND HAD REQUESTED ALL DEPTS TO LIST PRIORITIES ON PENDING LEGISLATION. USDOC HAD LISTED TRADE REFORM ACT PASSAGE AS ITS TOP PRIORITY. SHORE EXPRESSED GRATIFICATION AND EMPHASIZED IMPORTANCE OF NOT LOSING MOMENTUM IN AREA OF MTN'S.

(C) MR. FOX STRESSED IMPORTANCE OF CLEARING UP XXIV:6 ISSUES AS CONGRESS WATCHING OUTCOME OF THIS TO ASSESS CAPABILITIES OF US NEGOTIATORS. SHORE COMMENTED THAT HE THOUGHT CURRENT DEADLOCK "NEEDLESS AND SHOCKING".

(D) MONDALE AMENDMENT EXPLAINED BY SEC DENT. FOX SAID SHOULD BE MODIFIED TO REPRESENT AN OBJECTIVE TO BE ADDED TO GATT REGULATIONS. SHORE AGREED IT MERITED ADDITION TO AGENDA OF TRADE NEGOTIATIONS.
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PAGE 02 LONDON 04903 03 OF 03 191753Z

(E) MR. BRAND RAISED ISSUE OF VAT ON FROZEN ORANGE CONCENTRATE AND, FOLLOWING DISCUSSION, SHORE AGREED TO LOOK INTO MATTER FURTHER ALTHOUGH EDWARDS POINTED OUT IT WAS MORE IN AREAS OF RESPONSIBILITY OF TREASURY AND DEPT OF PRICES AND CONSUMER PROTECTION.

(F) MR. FOX RAISED ISSUE OF 7 PERCENT ECGD FINANCING WITH NO EXCEPTIONS PER UNDERSTANDING REACHED WITH EXIM AT TIME ITS RATE WAS RAISED TO 7 PERCENT. WAS UK GOING TO ADOPT 7 PERCENT AS A FLOOR? EDWARDS STATED HE THOUGHT MEDIUM TERM HAD BEEN SETTLED AT 7 PERCENT BUT LONGER TERM (OVER 5 YEARS) STILL UNDER REVIEW. IN ANY EVENT SHORE STATED HE WAS ANXIOUS TO AVOID EXPORT CREDIT WAR.

(G) UK ECONOMY. IN ANSWER TO SEC DENT'S QUESTION ON BRITISH ECONOMIC OUTLOOK, SHORE STATED UK WAS STILL IMPORTING INFLATION WITH PRICES UP 50 PERCENT LAST YEAR OVER 1972 AND WHOLESALE PRICES RECENTLY SHOWING INCREASES OF 3 PERCENT MONTHLY.

H) SHORE'S ANTI-EC ATTITUDE WAS REFLECTED IN HIS

STATEMENT THAT ONLY ONE THIRD OF BRITAIN'S TRADE WAS WITH
EC & TWO THIRDS WITH AREAS BEYOND THE NINE. HENCE UK
"WILL ALWAYS VE TO BE MORE CONCERNED WITH WORLD TRADE".

(I) SEC DENT EXPLAINED US POLICY ON EXPORTS OF
MATERIALS IN SHORT SUPPLY WHICH SHORE DESCRIBED AS "MUSIC
TO MY EARS".

5) DURING LUNCH WITH CHIEF EXECUTIVES AT EMBASSY HOSTED
BY AMBASSADOR, SEC DENT ASKED WHETHER UK LIKELY TO REVERT
TO A FREE MARKET ECONOMY UNDER LABOR GOVT IF U.S. EX-
PERIENCE FOLLOWING APRIL 30 DISCONTINUANCE OF WAGE AND
PRICE CONTROLS PROVED EFFECTIVE. CONSENSUS OF THOSE
PRESENT WAS REGRETFULLY NEGATIVE. HOWEVER, THEY REPORTED
BUSINESS PROSPECTS FOR THEIR COMPANIES IN 1974 WERE GOOD
DUE TO EXISTING BACKLOG OF ORDERS.

6) PRESS CONFERENCE REPORTED SEPARATELY BY LONDON
4759, APRIL 17 AND LONDON A-357, APRIL 19.

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PAGE 03 LONDON 04903 03 OF 03 191753Z

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